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Two Models of CSR and Sustainability

A comparison between the 'Pyramid of Corporate Social Responsibility' and the 'Model of Sustainable Development'

A review of The Durable Corporation: Strategies for Sustainable Development: Güler Aras & David Crowther; Gower; 2009

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Although many different theories exist of the notion of Corporate Social Responsibility (CSR) and the terms associated with it (sustainability, Corporate Governance, sustainable development), very few have managed to develop a comprehensive model of CSR or sustainability but instead concentrate on either one or a few stakeholders within specific contexts or examples. Aras and Crowther (2009) present an interesting new 'Model of Sustainable Development' that can be usefully contrasted with Carroll's (1991) Pyramid of Corporate Social Responsibility', now almost twenty years old.

With the creation of many government bodies in the 1970s, such as the Environmental Protection Agency and the Consumer Product Safety Commission to protect the environment, employees and consumers, it became apparent at the time that the business world was under criticism for not being accountable enough to their stakeholders and society in general (Carroll 1991). The perception of social responsibility shifted to social responsiveness by some writers who argued that the former was not concentrating enough on the actions of the corporation. This was a necessary reorientation as it emphasised the importance of corporate action and implantation of a social role, however the question still remained of how to reconcile the economic orientation with such social role. From this, a four part comprehensive definition of CSR was proposed, which emphasised the importance of businesses responding to all aspects of the social world: economic, legal, ethical and philanthropic and it is from this that Carroll constructed the four tiered pyramid (Carroll 1991).

According to Carroll (1991) all business responsibilities are predicated upon the economic responsibility, the *raison d'etre* of the firm, which is to create profit for its shareholders from supply and demand of society (Friedman 1970). This feature of the pyramid is positioned at the bottom as the foundation of the pyramid. All other responsibilities must occur after this fundamental principle has been satisfied . At the second tier lie the legal responsibilities, whereby the corporation must adhere to the law and all rules and regulations that it is governed by to ensure it maintains responsible business practices. The third tier is

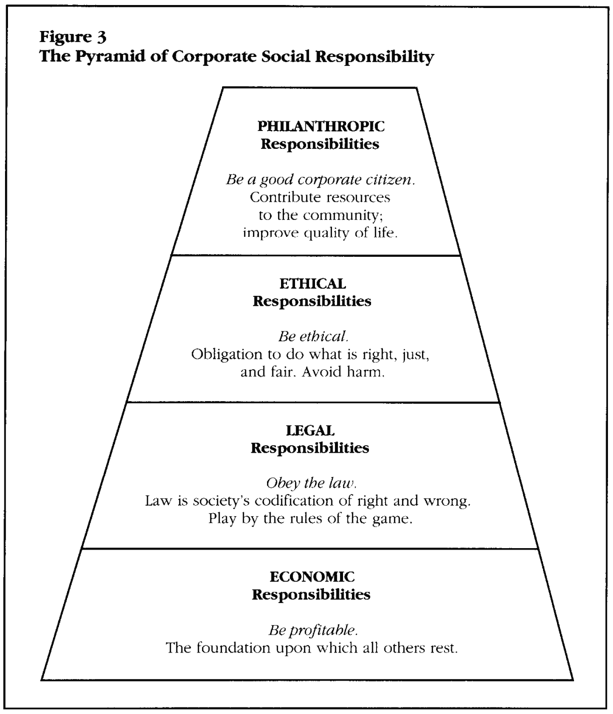

Figure 1. ***The Pyramid of Corporate Social Responsibility*** (Carroll 1991, p42)

the ethical layer, where corporations are obliged to do what is right, just and fair for their stakeholders and avoid doing them any harm. The last tier, the philanthropic level, ensures that the corporation is a good citizen to the community, contributing resources where needed. The last two tiers of the pyramid have also been highlighted within the social contract theory of CSR, whereby the corporation is regarded as a citizen within the community, who should, therefore, contribute to society like any other individual (Dahl 1972). This 'Pyramid of CSR', then, rests on the notion that the *raison d'etre* of the firm is economically defined, by the foundation of the pyramid. All other responsibilities (legal, ethical and philanthropic) come after or from this, suggesting that the company will only ever be socially responsible if this fits in with its economic goal of maximising profit. This suggests that all actions that derive out of CSR will inevitably be for economic purposes, which have always been and always will be the *raison d'etre* of the firm.

This model is one of the earliest examples of how the structure of responsibilities should sit within a corporation, and is still *widely* used. However, it has also faced much criticism. For example, the mere fact that the root imperative of a corporation is to maximise profit and act on behalf of the interests of its shareholders may prevent corporations from acting socially responsibly. Campbell (2007) argues that companies who are economically weak are less likely to engage in acts of CSR as they have fewer resources to invest time, effort and money into it *('slack resource theory'),* thus these corporations are unlikely to meet the threshold for socially responsible behaviour. He further states that companies are less likely to act in socially responsible ways if it appears that it will be difficult for a firm to turn a profit in the short term. Therefore, the traditional 'Pyramid of CSR' model is not sufficient as a comprehensive understanding of the ways in which CSR and sustainability should be achieved.

The durability of a corporation is largely dependant on its understanding and demonstration of CSR (Aras and Crowther, 2009). Within the broad concept of CSR are three issues on which corporations focus most heavily: sustainability, corporate governance and the harmonization of accounting standards. Aras and Crowther focus on the first of these, asserting that most analyses of sustainability concentrates solely on the environmental and the social, which is inadequate as financial performance is imperative to the success of sustainability also. It is likely that such analyses do so because many authors see a conflict between financial performance of a corporation and its social/environmental performance. As such, most work on corporate sustainability does not recognise the need for understanding the importance of financial performance as an essential part of sustainability, which again inhibits a comprehensive debate. Margolis and Walsh (2003) have reviewed thirty years of CSR literature and found the majority of it has ignored factors other than financial performance which may affect CSR. Further, although Waddock and Graves (1997) found a positive correlation between financial performance and CSR, their research only focused on corporate financial performance, firm size, risk tolerance and type of industry as important variables, which ignores external factors outside the corporation itself. Yet this is typical of much literature surrounding CSR. Aras and Crowther, then, aim to provide a comprehensive model which looks at all four aspects of CSR (environment, society, financial performance and organisational culture) in the short term as well as the long term context, to provide a more complex model than any others that exist.

In 'The Durable Corporation', they provide a comprehensive explanation and description of the term sustainability, referring to the traditional concepts of what the terms has meant in the past and providing a framework for understanding what the term should mean in the present and in the future. They outline the limitations of such existing assertions of the term sustainability, specifically in relation to corporate behaviour, and provide a new, more complex model of CSR and *sustainability*. The term 'sustainability' traditionally asserts that society must not use resources more quickly than it produces them, a definition which was first publicly debated as part of the Brundtland Report. Although we must start with this when attempting to define sustainability, mainly because it is the first public definition of sustainability, it is still a controversial topic as it can mean different things to different people in various contexts and so confusion around the term is still prevalent (Aras and Crowther 2009). Further, there is a tendency for analysis of sustainability to consider only two aspects: the environmental and the societal. However, Aras and Crowther assert this analysis is deficient and propose four aspects, within a two dimensional aspect of short term versus long term that leads

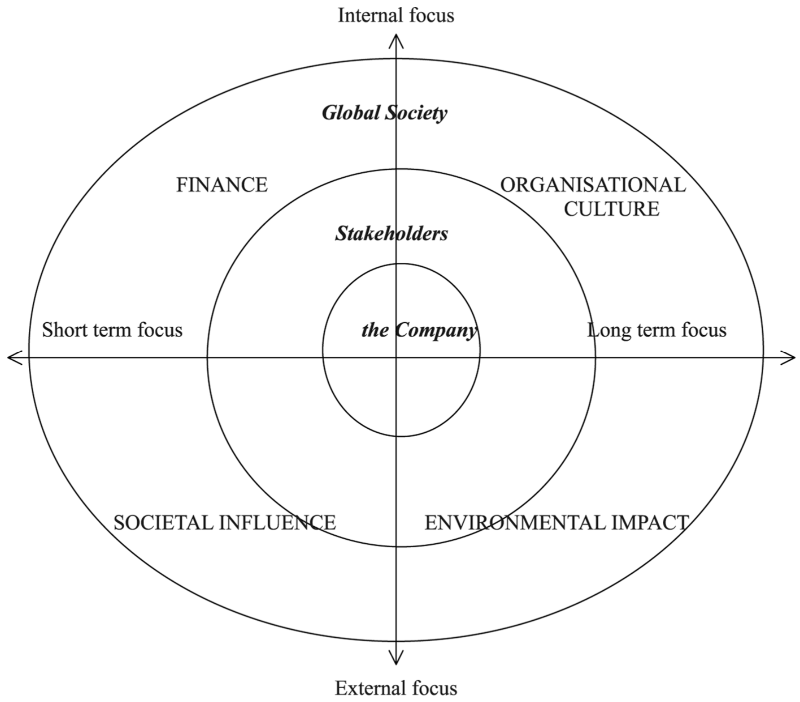

Figure 2
The Model of Sustainable Development, Aras and Crowther, 2009, page 41

to a more complete definition of sustainability: societal influence, environmental impact, organisational culture and finance.

Furthermore, to achieve sustainable development it is necessary to achieve sustainability and this can be achieved by four actions: maintaining economic activity as this is the *raison d'etre* of the company (Friedman 1970); conserving the environment as this is essential for the maintenance of future generations; ensuring social justice which includes elimination of poverty and the ensuring of human rights; and developing spiritual and cultural values, where the corporate and societal values align in the individual (Aras and Crowther 2009). Thus, sustainability and sustainable development is about more than just managing the interest of the stakeholders versus the shareholder, which is the most common assertion in organisation theory. Further, all stakeholder values must be recognised and accommodated within a body of trust, for if trust does not exist between the organisation and the stakeholder than these transactions of value sharing cannot take place (Aras and Crowther 2009).

Aras and Crowther's view of corporate performance is that is should be one of stewardship - of the resources of the society and of the environment within which the corporation operates – which leads to sustainability (Aras and Crowther 2009). Sustainability focuses on ensuring that the resource utilisation of the present does not affect the future. This creates concepts with which the corporation must engage to become sustainable such as renewable energy resources, minimising pollution and using new techniques of manufacture and distribution and accepts the costs that may be involved in the present for ensuring such possibilities for sustainability in the future. This is beneficial not only to the environment, but also to the organisation, for it cannot operate tomorrow *without* the resources it has today. The same applies within the financial performance of the corporation and there is no dichotomy between the environmental and financial performance of the company as the environmental performance of the company in the present day ensures the financial performance of the company tomorrow, and vice versa (Aras and Crowther 2009).

There are internal drivers for an organisation setting agendas to improve environmental performance because of the perceived benefits for such an action, yet there have been many critics of these r (Aras and Crowther 2009). Two such criticisms assert that either companies are often driven by the need to comply with regulation and legislation concerning the government, rather than having a real concern for the environment or that the environmental practice of a company is a mere Public Relations stunt for advertising purposes. However, Aras and Crowther state that it is inevitable that the business will concentrate on the bottom line of the performance in order to ensure the *raison d'etre* of the firm and, thus, environmental performance is achieved in relation to the bottom line for the above reasons: to make sure that the company is not prohibited by large monetary fines from government bodies for not complying with regulation; or because consumers will be more likely to do business with a company if they are conducting their business practices in an eco-friendly way. This assertion corroborates the principles of the 'Pyramid of CSR' which also stresses the importance of the bottom line of financial performance as a pre-requisite for ethical behaviour thereafter. However, although the 'Pyramid of CSR' includes the financial aspect which is integral to a concrete model of CSR and sustainability, it does not provide an explanation of how financial performance can actually lead to the corporation's sustainability in terms of ensuring that money is invested in socially responsible behaviour and sustainable behaviour, i.e. by investing in renewable energy resources and other socially responsible activities as outlined by Aras and Crowther. Instead, the 'Pyramid' merely asserts that the business must stay profitable only because it is the *raison d'etre* of the corporation to do so and not because it actually has a direct impact on ensuring sustainability. Further, the 'Pyramid' asserts that the corporation can always achieve profitability, despite the other factors of CSR as seen in the other tiers, as the financial layer is the foundation of the pyramid. However, Aras and Crowther's model asserts that profitability is predicated upon the other factors of CSR and so the financial success of the company and its actions of CSR exist in a continuum.

Therefore, the 'Model of Sustainable Development' offers a more comprehensive insight into CSR and sustainability. It is a more practical tool for business managers to use as a guide for achieving socially responsible corporate behaviour than has ever been seen before and shows how each of the responsibilities associated with CSR are to be achieved for each stakeholder group, whether at a local, national *or* global level, and explains whether these are short term or long term aspirations. Although Carroll's 'Pyramid' demonstrates many of the important aspects of CSR (economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility) it does not show how these responsibilities are to be sustained across time and for different stakeholders, as Aras and Crowther's model successfully does, ; nor does it assert strongly enough the link between financial performance and socially responsible corporate behaviour.

I assert that 'The Durable Corporation' is a comprehensive and exciting take on CSR and sustainability. I would recommend it to anyone who is interested in CSR and sustainability, particularly business leaders and academics and for people with varying understanding and experience of CSR. It provides an in-depth introduction to CSR but has unique content with the introduction of the 'Model of Sustainable Development' and so is useful for novices who are learning about CSR and experts in the field who can compare this model to other models of CSR and sustainability.

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